

*They urge residents to take advantage of these programs before they expire*

Mayor Scott Avedisian and Peggy Riley and Holly Longley, of the Internal Revenue Service, today urged residents to take advantage of a number of tax breaks available through the American Recovery and Reinvestment Act for which they may qualify.

"Individuals and families can realize substantial savings and benefits through these incentives, but only if they are aware they're being offered, and offered for a limited time," Avedisian said.

"The recovery law provides tax incentives for first-time homebuyers, people purchasing new cars, those interested in making their homes more energy efficient and parents and students paying for college. But all of these incentives have expiration dates so taxpayers should take advantage of them while they can," said Riley, IRS Media Relations Specialist.

Benefits include:

### **First-Time Homebuyer Credit**

Taxpayers who didn't own a principal residence during the past three years and who close on the sale of a new home before December 1 of this year can receive a credit of up to \$8,000 on either an original or amended 2008 tax return or on a 2009 return. Eligible taxpayers cannot claim the credit until after the closing date. The credit phases out at higher income levels. Different rules apply for purchases made in 2008.

### **New Vehicle Purchase Incentive**

Qualified taxpayers can deduct the state and local sales and excise taxes paid on new cars, light trucks, motor homes and motorcycles purchased between February 17 and December 31 of this year. There is no limit on the number of vehicles that can be purchased and one may claim the deduction for taxes paid on multiple purchases. Deduction per vehicle is limited to \$49,500 of the purchase price and phases out for taxpayers in higher income brackets.

### **Energy-Efficient Home Improvements**

Homeowners who make qualified energy-efficient improvements, including the addition of insulation, energy-efficient exterior window, heating and air conditioning systems, to their homes can receive a credit of up to \$1,500. Improvements must be placed in service in 2009 or 2010.

### **Tax Credit for First Four Years of College**

The existing Hope credit qualifications, meant to help parents and students pay for part of the first four years of college, have been broadened to include those with higher incomes and those who owe no tax. Tuition, related fees, books and other required course materials generally qualify toward the tax credit. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student.

### **Certain Computer Technology Purchases for 529 Plans**

Computer technology has been added to the list of college expenses that can be paid for by a qualified tuition program (commonly known as a 529 plan). For 2009 and 2010, the law has been expanded to include expenses for computer technology/equipment and Internet access and related services. The designated beneficiary must be enrolled at an eligible educational institution, and software designed for sports, games or hobbies does not qualify unless it's predominantly educational in nature.

### **Making Work Pay and Withholding**

The Making Work Pay Credit lowered tax withholding rates this year for 120 million American households. However, particular taxpayers who fall into any of the following groups should review their tax withholding rates to ensure enough tax is withheld, including multiple job holders, families in which both spouses work, workers who can be claimed as dependents by other taxpayers and pensioners. Failure to adjust your withholding could result in potentially smaller refunds or in limited instances may cause you to owe tax rather than receive a refund next year. So far in 2009, the average refund amount is \$2,675, and 79 percent of all returns received a refund.

For more on the Recovery provisions that may apply to individual taxpayers, see the [ARRA page on IRS.gov](#)

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